RD AN No. 3634 (1965-E)
April 10, 2001

TO: State and Rural Development Managers

FROM: James C. Alsop   *(Signed by James C. Alsop)*
             Acting Administrator
             Rural Housing Service

SUBJECT: Prepayment Tracking and Concurrence System
             (PRE-TRAC) Implementation

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) announces the implementation of the Prepayment Tracking and Concurrence System (PRE-TRAC). PRE-TRAC is a web-based automated application that allows the Rural Housing Service (RHS) to significantly reduce the reporting burden required to process and monitor Multi-Family Housing (MFH) prepayment requests. The Office of Rental Housing Preservation (ORHP) will use PRE-TRAC to issue all concurrence and authorizations of incentives, equity loans, and prepayments.

COMPARISON WITH PREVIOUS AN:

Previous guidance on reporting, concurrence and authorization requirements for the MFH prepayment process was in expired RD AN 3527 (1965-E), dated March 24, 2000.

IMPLEMENTATION RESPONSIBILITIES:

With the issuance of this AN, State and Servicing Offices will use PRE-TRAC to process all Rural Rental and Farm Labor Housing prepayment requests to meet the requirements of RD Instruction 1965-E. Attachment A summarizes PRE-TRAC implementation advice. Attachment B is a short summary of how paper based processing is now addressed by PRE-TRAC.

EXPIRATION DATE: FILING INSTRUCTIONS:
April 30, 2002   Preceding RD Instruction 1965-E

Attachments

PRE-TRAC IMPLEMENTATION ADVICE

What changes with PRE-TRAC?

PRE-TRAC is a web-based database application. This means that the Agency enters prepayment-tracking information once for use by all administrative levels. The functions of Guide Letter 1965-E-1 and ORHP concurrence and authorization memos will be replaced by PRE-TRAC capabilities.

What does not change with PRE-TRAC?

Prepayment processing and documentation requirements remain as specified in RD Instruction 1965-E. ORHP will conduct post prepayment file reviews to assure compliance with regulatory requirements. State Directors will be advised when files have been selected for post review. ORHP is available to provide support, advice and guidance throughout the prepayment process.

PRE-TRAC Orientation Training.

State and Servicing Office Staff received prepayment overview training, documentation and an introduction to PRE-TRAC during FY 2000.

PRE-TRAC User's Manual.

PRE-TRAC is designed to lead the user through the statutorily prescribed prepayment process. Released under separate cover, the PRE-TRAC User's Manual is written to follow and describe that process as well. It will be very helpful for your staff to review the User's Manual before working on PRE-TRAC.

In addition to providing a detailed description of system requirements, the User's Manual offers the following features: table of contents, prepayment requests and incentives flow chart, time line of prepayment requests and incentives, PRE-TRAC options and tabbed and labeled chapters

Logging into PRE-TRAC.

ORHP will provide each State and Servicing Office with a Login ID. When State or Servicing Offices log in for the first time, the Login ID and password will be the same; however you will be asked to change your password (See Chapter 3 of the PRE-TRAC User's Manual for further guidance).

Which Login ID to use?

PRE-TRAC provides State Director's flexibility when assigning MFH preservation related responsibilities. PRE-TRAC allows either the State or Servicing Office to enter and modify prepayment requests. In either case, the State Office may review all entries within a State (see Chapter 15 of the PRE-TRAC User's Manual). The office that enters and modifies data is referred to as the "custodian of the records." Depending on how your State will process prepayments, use the following Login ID configurations:

▪ When the State Office will be the custodian of the records, the State Office will use their 2-digit Login ID.

▪ When the Servicing Office will be the custodian of the records, the Servicing Office will use their 5-digit Login ID and the State Office will use their 2-digit Login ID for review.

Required reporting to ORHP.

State and Servicing Office reporting requirements of RD Instruction 1965-E and requests for concurrence and authorization described on RD Guide Letter 1965-E-1 will be met by entering data and selecting options on the PRE-TRAC "timeline" screen. See Attachment B for a short summary of how the requirements of Guide Letter 1965-E-1 are now processed under PRE-TRAC.

ORHP authorization and concurrence.

ORHP will grant concurrence and authorizations for preservation actions through PRE-TRAC rather than through individual memorandums. The PRE-TRAC alert field on the "View Project Listing Screen" (See Chapter 6 of the PRE-TRAC User's Manual) will notify ORHP when State or Servicing Office action requires concurrence or authorization. Concurrence and authorizations will be issued as follows:

Concurrence with specific incentive offers:

Concurrence is granted to make the specific incentive offer for the project as displayed in PRE-TRAC. The offer is to be made to the borrower, typically using the letter generated by PRE-TRAC. If deferred maintenance must be addressed, the incentive letter must include the requirement that any deferred maintenance must be addressed before any incentive may be received. To itemize the deferred maintenance, use the PRE-TRAC report "list of deferred maintenance items" which will be automatically generated when the offer letter is printed. All offers are made subject to the availability of funds and continued borrower eligibility.

Authorization of incentives:

Authorization of incentives by ORHP is made with the understanding that borrower will sign the appropriate restrictive use agreements (RUA) and that the appropriate restrictive use provisions (RUP) will be inserted in a deed, declaration, or similar legal instrument that is not affected by the release of the deed of trust or mortgage. Unless otherwise noted, existing Agency debt will be reamoritized. Any RA authorized as an incentive is added to your State's FY allocation. RA authorized may not be used for any other purpose. When working with AMAS transactions, be certain to complete the transactions in the following order:

1. Complete the M5A Screen
2. Complete the M5E Screen
3. Complete the M1A Screen
4. Complete the MRA Screen

Equity loans should be obligated as assistance code "014." The prepayment incentive code (PPI) is "IE" if no transfer is to take place simultaneously with the loan closing or "TE" if there will be a transfer. RA should be obligated with the correct "alpha" code for either elderly or family housing.

Authorization of prepayment:

Authorization of prepayment by ORHP is made with the understanding that the borrower will sign the appropriate RUA's and the appropriate RUP's will be inserted in a deed, declaration, or similar legal instrument that is not affected by the release of the deed of trust or mortgage.

Actions not addressed by PRE-TRAC

It is important to note that several authorizations associated with prepayment will not be provided through PRE-TRAC, but will continue to be authorized by memorandum. These actions include waivers of the regulation, approvals of subordination's or junior liens, and the approval of the special non-profit and public body advances and any other special conditions needed to facilitate the preservation action.

Populating the PRE-TRAC database.

All prepayment activity during fiscal year (FY) 2001 must be entered into PRE-TRAC. This includes any prepayment request received during FY 2001 and any request accepted in a previous FY, but acted on during FY 2001. States with borrowers on the list awaiting funding (Equity Loan Waiting List) must enter those prepayment requests into PRE-TRAC. NOTE: Do not enter old prepayment requests that have been dormant for some time with no action.

PRE-TRAC reporting is important to help the Agency understand and document preservation actions. Your continued cooperation is needed to ensure the accuracy of the Agency's data.

Helpful hints.

During PRE-TRAC pilot testing, ORHP received several suggestions to help the first time user. We offer the following:

- Read the PRE-TRAC User's Manual. The manual is a complete and useful description of PRE-TRAC written by the Agency staff who designed and developed the system.

- The timeline screen is the "backbone" of PRE-TRAC. After you enter the basic borrower and project information on pages 1 and 2 of the borrower information screens, your next stop should be the timeline screen. It has been designed to not only lead you through the prepayment process; you can also call other data entry screens based on the current processing step. By working from the timeline screen you can be sure that you are entering the right information at the right time.

- Do not close a "message box" by pressing the small "x" in the upper right-hand corner of the box. Always answer the question in the message box by pressing the appropriate "answer" button. Due to a non-system software bug, using the small "x" will close PRE-TRAC rather than just the message box. The Agency is working with the software vender and will fix this bug shortly.

- Entering multiple projects for the same borrower. PRE-TRAC allows for multiple projects owned by the same borrower to be entered under a single borrower record. Please read and follow the instructions found in chapter 7 of the PRE-TRAC User's Manual. Section 7.6 describes, in detail, the steps to follow.

- <u>Entering multiple loans for the same project</u>. Enter summarized information for projects with multiple loans on page 2 of the "Borrower Information Screen." In the "loan amount" field, enter the sum of the original plus all subsequent loans. In the "closing date" field", enter the date the last loan was closed. In the "payoff date" field, enter the date when all loans have been paid off.

- <u>Viewing PRE-TRAC letters and reports</u>. Sometimes you may not see the letter on your screen. The letter will appear in a separate browser window running the Adobe Acrobat Reader that stays hidden behind the window running the PRE-TRAC application. When this happens, tap "Alt + Tab" to bring the letter/report window to the front.

Contacting ORHP.

ORHP looks forward to working with you to make PRE-TRAC a success. If you have any questions regarding PRE-TRAC, suggestions to make PRE-TRAC more effective, or issues about MFH preservation, please contact ORHP at:

Larry Anderson	202-720-1611	lranders@rdmail.rural.usda.gov
Cynthia Reese-Foxworth	202-720-1940	cfoxwort@rdmail.rural.usda.gov

Please share this information with your Multi-Family Housing staff.

1965-E.1 Actions	Link to PRE-TRAC User's Manual	What Happens
RD Places Borrower On List	Ch. 7, Borrower Information Screen	Establish borrower record; enter project information
	Ch. 8, Timeline Screen	Enter actions on Timeline Screen
	Ch. 9, Application Checklist Screen	ORHP recognizes complete applications when all items on page 1 of the Application Checklist Screen have an item submitted date.
RD Requests ORHP's Concurrence w/Incentive Offer	Ch. 8, Timeline Screen & Ch. 11, Incentive Calculation Worksheet	Complete pages 1 & 2 of worksheet. Review incentives on pages 3 through 9. Select incentives to offer on page 10 & 11. Complete actions on Timeline Screen and set alert flag to ORHP.
ORHP Concurs w/Incentive Offer	Ch. 8, Timeline Screen	You'll be prompted to set the alert flag to ORHP when you reach an activity that requires approval from ORHP. ORHP will set the alert flag to RD once they have given approval so that you can continue with the prepayment process. ORHP also updates amount approved and date on page 11 of the incentive calculation worksheet. This is ORHP's official concurrence; there will be no written correspondence from ORHP.
RD Requests ORHP to Authorize Funds for Incentives Accepted by the Borrower	Ch. 8, Timeline Screen	Once specific incentives have been accepted, RD requests authorization of funds and sets the alert flag to ORHP.
ORHP Authorizes Funds for Incentives	Ch. 8, Timeline Screen	ORHP authorizes the funds on the Timeline Screen and sets the alert flag to RD so that you can continue with the prepayment process. This is ORHP's official concurrence; there will be no written correspondence from ORHP.
RD Requests ORHP Concurrence with Prepayment Acceptance	Ch. 8, Timeline Screen, Ch. 9, Application Checklist Screen & Ch.10, Prepayment Information Screen	RD shows proof of borrowers ability to prepay on the Prepayment Screen. RD enters needed information on Page 2 of the Application Checklist. RD completes actions on the Timeline Screen & sets alert flag to ORHP. NOTE: Setting RD/ORHP indicates which office needs to respond.
ORHP Concurs with Prepayment Acceptance	Ch. 8, Timeline Screen & Ch. 10, Prepayment Screen	ORHP concurs with prepayment acceptance with applicable restrictions by updating the Timeline Screen. NOTE: Generate Letters. When the loan is prepaid, update actions on the Timeline Screen; update prepayment information on page 2 of the Prepayment Screen.
Borrower Rejects Incentives & Offers to Sell to Nonprofit/Public Body	Ch. 8, Timeline Screen & Ch. 11, Incentive Calculation Worksheet Screen	RD updates actions on Timeline Screen and purchase agreement block on Page 11 of Incentive Calculation Worksheet Screen.
Ready to Process Transfer to Nonprofit/Public Body	Ch. 7, Borrower Information Screen, Ch. 8, Timeline Screen & Ch.10, Prepayment Screen	Follow instructions referenced in Section 7.7. RD updates are required on the Timeline, Prepayment & Borrower Information Screens.
Remove From List	Ch. 8, Timeline Screen	If request is withdrawn, update activity and borrower status on the Timeline Screen.